R J Reynolds Tobacco Company

Mark Young
New York Metro

February 16, 1998

To: Don Fitzgerald

Subject: Promotion Assessment

Dear Don,

In reference to your letter earlier this month, listed below are the thoughts and recommendations from the Kam's/Am's in the region.

* **Terms on Promotional orders**: Several direct accounts have complained that we do not offer the option of extra dating for "sniped" VAP and DPC promotions *(ie: Winston $.70 off 2 packs / Doral $1.00 off 2 packs).*

* **Displays**: Brand specific 2 carton DPC displays should be made available on all priority DPC brands. Our opinion is that the brand specific display is more impactful and effective in communicating with the consumer.

* **MSA/Disc reporting of promotions**: We need to better communicate reporting procedures for each individual promotion to make it easier for Direct Accounts to report promotions correctly. The "*Promotion Description*" for each promotion could be included on the sheet with the wholesale packing instructions.

* **Promotion Packing Sleeves**: The new packing sleeves *(ie: Winston $70 off 2 packs)* were very impactful in this cluttered market. This type of self-contained offer/display should be continued with future promotions.

* **Winston $.70 off 2 Pack promotional product**: This No Bull 5 promotion was good ..... however, in the few stores that decided to separate the 2-pack offer *(as much as we hate it, some do)*, the tear tape that said "*Special Offer*" should have said $.35 off a pack.

* **Prepackaged promotions** involving the placing of cartons in a display box are preferred ..... much easier for a D/A to understand and implement.

* **Winston $.70-2 pack & Doral $1-2 pack Promotions** were very well received by retail due to the larger discount value ..... this helped minimize returns.

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* **Heavy Competitive Promotional Activity**: As we are all aware, not only is our promotional calendar full *(some months up to 3 RJR promotions)*, but the competition has also geared up tremendously in terms of number of promotions for a D/A to work. Reality in an independent market ..... the D/A may have the Winston Promotion ..... along with a Parliament, Virginia Slim, Newport and Marlboro Ultra ready to ship to a specific store. Assuming that each of these 5 promotions average 6 cartons of live product ..... it means that Mr. Patel will have to have approximately $660 of extra cash ready when his normal cigarette order is delivered. Now what are the chances of this happening? .....very slim! What actually happens is the D/A calls Mr. Patel in advance of his weekly cigarette order and let's him know these 5 promotions are ready to be shipped. The normal answer from Patel is that he will take 2 of the promotions this week ..... and hold the other 3 until he's ready. The D/A will do this for their customer ..... the D/A doesn't want to take the chance of loosing the retailers business.

  The Point is: it time to take a look at how we as a company are promoting our products ..... many small promotions on multiple brands vs. creating a "Big Event" on one brand / each quarter. We need to simplify the promotions and get a greater return on the promotions that we do work *(from focus and higher single brand family quantities)*.

* **Buy 2 Get 1 Free Offers**: *(7 white cartons / 4.9 cartons billed to Retail)*. While this promotion is easy for the direct account to pack ..... it is a "Nightmare" to explain to the direct account's customers. They have a hell of a time trying to explain the billing of: *(49 packs + $.15 per pack NYC sales tax on 21 complimentary packs included in the display and 7 unpromoted "Live" packs)*. This was a contributing factor in the "Back up" of Doral B2G1F's at Direct Accounts in 1997. We suggest that we return to shipping future promotions as a Buy 1 Get 1 Free and have the direct accounts add 1 live pack to the sleeves .... creating the B2G1F offer. This would ultimately be much easier for the D/A's to execute and explain to the retailers *(ie: 60 packs / bill for 40 = 20 B2G1F offers)*.

Don, I trust these thoughts and recommendations will help you with your project. Please give us a call if we can help in any other way.

Sincerely,

Mark Young

cc: DLW

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